

Message Text

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20

ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00 EB-11

FMC-04 INR-10 NSAE-00 RSC-01 CG-00 COA-02 DLOS-07

SWF-02 AID-20 FRB-02 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSCE-00 NSC-07 L-03 H-03

PA-04 PRS-01 USIA-15 /139 W
----- 005920

R 030900Z JUL 74

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 1343

INFO USLO PEKING

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN ETRD CH

SUBJ: NEW PRC TRANSPORTATION TAX ON FOREIGN SHIPPING

SUMMARY: A NEW PRC TAX ON TRANSPORTATION INCOME OF FOREIGN VESSELS CARRING CARGO FROM CHINESE PORTS WENT INTO EFFECT JULY 1. U.S. SHIPPING SOURCES DO NOT BELIEVE THAT U.S. LINES WILL BE IMMEDIATE EFFECTED. THE TAX APPEARS TO HAVE MORE IMMEDIATE RELEVANCE FOR JAPANESE CARRIERS Tahn THOSE OF OTHER COUNTRIES BECAUSE OF THE LARGE VOLUME OF CHINESE TRADE CARRIED BY JAPANESE FLAG VESSELS. END SUMMARY.

1. THE CHINESE MINISTRY OF FINANCE HAS ANNNOUNCED A NEW TAX TO BE LEVIED AGAINST FOREIGN VESSELS CARRYING OUTWARD CARGO OR PASSENGERS FROM CHINSE PROTS WHITH EFFECT FROM JULY 1. THE NEX TAX CONTAINS TWO PARTS: AN INDUSTRIAL -COMMERCIAL UNIFIED TAX AND AN INDUSTRIAL-COMMERCIAL INCOME TAX. BOTH TAXES ARE TO BE LEVIED AT THE COMBINED RATE OF THREE PERCENT AGAINST "THE GROSS TRANSPORTATION INCOME" OF FOREIGN
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VESSELS DEPARTING CHINESE PORTS. IN ADDITION, A "LOCAL

SURCHARGE" IS TO BE LEVIED AT ONE PERCENT OF THE AMOUNT OF THE TAX ASSESSMENT. THE NEW REGULATIONS ALSO PROVIDE FOR TAX REDUCTION OR EXEMPTION FOR VESSELS FROM THOSE COUNTRIES THAT HAVE CONCLUDED MARITIME TRANSPORT AGREEMENTS WITH CHINA THAT CONTAIN SUCH PROVISIONS (NCNA, JUNE 25).

2. SHIPPING SOURCES IN HONG KONG VARY IN THEIR ASSESSMENT OF THE NEW TAX. THEY AGREE THAT THE TAX WILL EVENTUALLY BE PASSED ON TO THE END-USER BUT ARE UNSURE AS TO WHEN AND HOW THIS WILL TAKE PLACE. U.S. SHIPPING SOURCES STATE THAT THE TAX WILL HAVE NO IMMEDIATE, DIRECT EFFECT ON U.S. SHIPPING LINES BECAUSE OF THE ABSENCE OF U.S. FLAG VESSELS TRADING OUT OF PRC PORTS. JAPANESE CARRIERS, ON THE OTHER HAND, ARE EXTREMELY CONCERNED ABOUT THE NEW TAX. A JAPANESE CONFIDENTIAL SOURCE INFORMED US THAT JAPANESE SHIPPERS IN HONG KONG CONSIDER THE NEW TAX TO BE VERY SERIOUS BECAUSE OF THEIR LOW TRANSPORTATION PROFIT MARGIN ON PRC-JAPAN TRADE.

3. AS FOR CHINESE MOTIVATION BEHIND THE TAX, AT LEAST THREE GOALS-- NOT MUTUALLY EXCLUSIVE -- SUGGEST THEMSELVES; (1) INCREASED TAX REVENUE ; (2) INCREASED USE OF CHINESE-OWNED OR CHARTERED VESSELS, AND (3) ENCOURAGING BILATERAL MARITIME AGREEMENTS, OR AT LEAST USING THE TAX AS A BARGAINING TOOL IN MARITIME NEGOTIATIONS.

4. ALL THREE OF THESE POINTS APPEAR TO HAVE MORE IMMEDIATE RELEVANCE FOR JAPANESE CARRIERS THAN THOSE FROM OTHER COUNTRIES BECAUSE OF THE LARGE VOLUME OF CHINESE-TRADE CARRIERS IN JAPANESE PORTS. PERHAPS FURTHER SUPPORTING THE JAPANESE CONNECTION IS THE SCHEDULED OPENING LATER IN JULY IN TOKYO OF SINO-JAPANESE NEGOTIATIONS FOR A BILATERAL SHIPPING AGREEMENT. ACCORDING TO PRESS REPORTS, A MAJOR TOPIC OF DISCUSSION WILL BE THE GRANTING OF MOST FAVORED NATION TREATMENT TO SHIPS OF EACH COUNTRY. IN THIS LIGHT, IT SEEMS UNLIKELY THAT THE TIMING OF THE TAX IS COINCIDENTAL.

5. FOR TOKYO: WE WOULD APPRECIATE KNOWING WHETHER JAPAN HAS A SIMILAR TAX OR OTHER CHARGES THAT COULD BE TRADED LIMITED OFFICIAL USE

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OFF DURING THE NEGOTIATIONS IN RETURN FOR EXEMPTION FROM THE NEW PRC TAX.

6. FOR INR AND CIA/OER: WOULD APPRECIATE LIST OF COUNTRIES WITH WHICH PRC NOW HAS MARITIME OR SHIPPING AGREEMENTS AND INDICATION OF WHICH ONES PROVIDE FOR EXEMPTION OR REDUCTION OF TAXES.
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Message Attributes

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Draft Date: 03 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
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TAGS: EFIN, ETRD, CH, JA
To: STATE
Type: TE
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